

FY15 Agribusiness

Summaries & Staff Recommendations – December 2014

The Commission received ten proposals for FY2015 Agribusiness funds by the announced due date in October. Summaries of the proposals and staff recommendations are contained below. Other Business regarding older grants that seek extensions is also included.

Req #	Organization Name	Project Title	Request Amount	Staff recommendation
2956	Blue Ridge Center For Chinese Medicine Inc	Appalachian Medicinal Herb Growers Consortium	\$152,660	\$152,660
2957	Buckingham Cattlemen's Association	Buckingham Agricultural Resource Network (B.A.R.N.)	\$265,549	\$265,549
2973	Town of Farmville	Regional Processing For Aquaculture Producers	\$398,500	\$200,000
2958	Lee County Livestock Association	Livestock Genetic Improvement Initiative for Lee County	\$200,000	0
2959	Lenowisco Planning District Commission	LENOWISCO Agricultural Development Strategic Plan	\$10,000	\$10,000
2960	New River-Highlands Resource Conservation and Development Project	Southwest Virginia Mobile Livestock Processing	\$255,000	0
2961	Region 2000 Research Institute	Farm Based Bio-Ethanol Micro Plant	\$632,900	0
2962	Southwest Livestock Cooperative, Inc.	Southwest Livestock Center	\$467,140	\$467,140
2963	Virginia Eco Industries, LLC	Brunswick County Greenhouse, Phase II	\$523,450	0
2964	Virginia State University	Enhancing Income of Meat Goat Producers in the Tobacco Region by Development of an Omega-Chevon Industry	\$247,573	0

Total (10 requests/5 recommendations)

\$3,152,772

\$1,095,349

Amount available before/after recommendations

\$1,194,519

\$99,170

Blue Ridge Center For Chinese Medicine Inc
Appalachian Medicinal Herb Growers Consortium (#2956)
\$152,660 requested

Executive summary provided by applicant: Farmers can increase their income by \$39,688/year after 5 years by joining with the Appalachian Medicinal Herb Growers Consortium and utilizing the seeds/plants from the 2006-established BRCCM Chinese Medicinal Herb Garden to expand a 2014 pilot project designed to increase the income of at least 50 Floyd County farmers. In its first year, the Consortium already consists of 33 farmer Cohort members with an Advisory Committee; 9 farms were planted in 2014. Two hands-on project managers assist farmers with planting, growing, harvesting, and processing medicinal herbs to provide a Living Wage. This project is high ROI, concept-proven, and virtually risk-free. BRCCM has identified a major problem/opportunity: of 864 farmers (2007 census) in Floyd County, 745 (86%) cannot earn a Living Wage farming. BRCCM has a solution: growing medicinal herb crops that have a significantly higher ROI than conventional crops. Floyd is at the same latitude as herb farms in China and BRCCM's Gardens are established. Over 27,000 Chinese medicine practitioners are licensed in the U.S. and buy herbs directly. Demand for quality herbs is strong and supply is short. BRCCM's herbs have been independently tested and found superior to imports from China, primarily due to heavy pollution in China. BRCCM's Garden serves as the "feeder/supplier" for the seeds/seedlings/transplants needed by the farmers to participate in the project. Only 4-feet x 100-feet is needed to grow a 10-species garden. Cohort 1 (9 farms) Gardens were planted in Summer 2014; Cohorts 2 and 3 will be planted in Spring 2015. The Appalachian Medicinal Herb Growers Consortium (local Consortium) is a BRCCM subsidiary and founding member of the Eastern Forest Chinese Herbal Medicine Consortium (national Consortium). The national Consortium coordinates the marketing/sales of the herbs, thereby eliminating the need for direct farmer marketing/sales. The assistance of the project managers will be ongoing. Chinese medicinal herbs will become the largest export product in Floyd/Region. Hands-on managers will train farmers to participate on a small scale that can be continually expanded; high crop ROI, increased income, and retained/new jobs are expected outcomes with almost no Risk. The roles of the local Consortium and national Consortium are established. Project consultants indicate Full Potential income increases to \$116,459 after 5 years. The goal is for Farmers to receive 75% of the net revenue from their Gardens; the local Consortium will receive 25% to sustain project operations. Current farmer interest indicates the 50-farmer goal will be exceeded.

Staff comments and recommendation: Funds are requested to expand the operations and supply chain of the Blue Ridge Center for Chinese Medicine, a 501C3 nonprofit based in Floyd County. The application estimates that farmers participating in the Appalachian Medicinal Herb Growers Consortium can increase their income by nearly \$40,000 per year after five years. The first cohort gardens were planted in Spring 2014 and cohorts 2 and 3 will be planted in Spring, 2015. While the BRCCM and majority of the 33 participants are located in Floyd County, the project is not limited to Floyd. Cohorts 1, 2, and 3 have farmers located in Franklin, Carroll, Patrick, Grayson, and Bedford Counties. Commission funds will be used for staffing and equipment needs to assist cohort members in establishing new herb plots, and to process the herbs to prepare them for sale. Matching contributions of \$329,334 are committed with approximately \$161,000 cash contributed from two private sources and the remainder from in-kind contributions of the applicant. Since this organization submitted a previous grant request that was passed by last year, it has engaged several committed producers in a regional area, and provided stronger evidence of a viable supply chain that will allow locally-grown herbs to be sold to national wholesalers. While this is clearly a niche product that is grown in very small plots, it appears to have potential for measurably supplementing farm income for interested producers. **Staff recommends award of \$152, 660.**

Buckingham Cattlemen's Association

Buckingham Agricultural Resource Network (B.A.R.N.) (#2957)

\$265,549 requested

Executive summary provided by applicant: The Buckingham Cattlemen's Association (BCA) would like to propose the Buckingham Agricultural Resource Network (BARN) project, as an agricultural hub and education center for producers. The BARN project consists of a metal building with a large meeting room and kitchen. It is located at the geographical center of the state. The BARN will cost an additional \$409,858.71 and create 25 part time jobs. The BCA and BARN committee have solicited \$59,310 monetary donations for the project. They have also applied for a USDA facilities grant in the amount of \$50,000 and a VDACS Planning grant in the amount of \$35,000. The BCA loses \$48,570 per year through additional market costs, fuel and labor costs, and cattle shrink each year due to the approximate 60 minute drive to the Livestock Market. The BCA's creditability has been affected by errors occurring at the Market. The membership of the BCA is too large for meeting space in Buckingham County. There is no room for growth within the activities of the Cattlemen's Association without an Agricultural Center. The local farmer's market could not find a good location for their activities. Meeting space is limited for BCA, Extension, and 4-H educational activities and agricultural demonstrations. Lynchburg Livestock Market will work with and support the BCA in a local working/load out facility in Buckingham County. Local producers would not have to haul their cattle 60 minutes, spending money on fuel/labor and losing money on cattle shrink. Jobs would be created during load out and sales and the BCA could ensure the correct cattle go on each load. The regional membership, local 4-H, Extension, NRCS, Soil and Water Conservation would have space for meetings and educational programs. The local Farmer's market would have a covered area to sell produce and a kitchen to have cooking demonstrations. The BARN project would bring more agricultural dollars back to the county and region, as well as provide room for expansion and improvement in the agricultural industry of central Virginia. It would also provide the area with an educational activity center, gathering place, and agricultural hub, bringing more dollars back to local stores, fuel stations and provide the need for economic growth. The BCA with its regional participation could improve and grow, providing for more producers, become more efficient in their current programs and become a strong, reliable source of sought after, locally grown beef in the region.

Staff comments and recommendation: Funds are requested to complete construction of the 16,000 sq. ft. BARN facility in Buckingham County to serve association members from eleven tobacco region counties. Grant funds would be used for finishing of 4,685 sq. ft. of interior space, costs for well and septic, stormwater management facilities, fans for working area, and equipment including fans for working area, ranch equipment for cattle handling, bleachers and a tractor. This facility is somewhat of a parallel to similar TICR-funded facilities built in Pittsylvania, Halifax and Dickenson, and it should be noted the benefits cited above will accrue annually over the 40 year useful life of the building. Totals costs for the facility are at over \$1 million, of which the Commission previously provided a \$550K grant two years ago that was matched by \$121K. An additional \$141K match is included in the current proposal, including approved local funds and two intended grant applications (VDACS-AFID and USDA). The finished space of 4,686 sq. ft. includes 2909 sq. ft. for meeting room, 766 sq. ft. bathrooms and sale/weight room, and 1010 sq. ft. for the kitchen, utility room, foyer, and storage area. A site visit to the BARN facility in early November revealed the structure is largely complete (with the exception of interior finishing). The applicant explained that the space is identified as a "meeting room" this is actually the area where the cattle Tel-O auctions are performed. On a membership list provided with the proposal it was noted that 147 of the 154 total names had addresses in the tobacco region. Staff questioned language in the Special Use Permit issued by Buckingham County limiting use of the facility to 12 sales events per year and how this would impact operating revenues. It was explained that the limit is for the number of events, for which each "event" could be over a weekend and include multiple sales; and that this number does not affect other sales, such as hay sales. If this request is

approved, the facility could be open for business by mid-2015. This request was the highest scoring proposal in the staff review process, due to its regional reach across multiple counties and agricultural sectors. **Staff recommends award of \$265,549.**

Town of Farmville

Regional Processing For Aquaculture Products (#2973)

\$398,500 requested

Executive summary provided by applicant: Initially, the primary objective of this project is to establish a processing facility for aquaculture products. The Town of Farmville will own the USDA approved mixed-use manufacturing complex and develop a lease to purchase agreement with the Virginia Aquaculture Network to buy the building in 5 years. Approximately 4,000 SF will initially be dedicated for processing and further processing of fish and shellfish serving Southside and Southwest Virginia producers. The unfinished 6,000 SF will be available for future growth (ie: fruits vegetables and other agriculture related value-added products processing). Aquaculture is the fastest growing sector of the agricultural economy in the United States who imports over 80% of the seafood it consumes. Imported products arrive with little oversight for food safety, ecological impacts and social issues. This large seafood trade deficit is in stark contrast to the other food proteins we grow in the United States, chiefly poultry, beef and pork. Producers throughout Virginia are in need of a facility where they can bring their aquaculture and other agriculture-related products to be processed in a USDA-approved facility for local, regional, state and global export sales. The facility will be centrally located to the existing 20+ producers and will reduce their travel time and associated expenses to a USDA-approved processing facility. It will also offer quick freezing processing that offers two significant advantages over standard freezing methods: freezing products in seconds instead of over 10 to 60 minute time periods preserves the texture of the product making it similar to a fresh product in terms of overall quality, and IQF freezes each piece of fillet or shrimp tail individually so they do not clump together. These advanced methods will enable further marketing opportunities for the producers. The benefits are increased opportunities for regional producers, local job creation, job retention, provide a significant economic impact to the region and enable opportunities for other value-added products to expand to this location and utilized as a mixed-use manufacturing complex. Another advantage is partnering with Virginia Tech's research & development department enabling training opportunities for "potential" young producers. The educational component will assist marketing ventures for local producers in hopes of contributing to Virginia's export market.

Staff comments and recommendation: This is essentially the same project that was approved for \$438,500 in FY14 Agribusiness for a site in Charlotte County. Charlotte County has effectively withdrawn from the project, and VAN officials have worked with Town of Farmville to identify this alternate site for the project. As this project is no longer actively considering a Charlotte site, TCR Staff has contacted Charlotte County officials to ask for written confirmation that #2799 can be deobligated. Having not received that confirmation at the time of this report, Staff recommends below that the previous approval of #2799 be rescinded and those funds returned to the Agribusiness Committee's available balance.

Like the previous grant, the current request seeks the same equipment (\$314k), supplies (\$10k), contractual (\$69k) and travel (\$7k) to purchase and install equipment in the proposed facility in an industrial area of Farmville to house the aquaculture processing center. The Virginia Aquaculture Network (VAN), a for-profit member-owned business and the affiliated private Heartland Food Center Inc. (whose principals are also members of VAN) would use and operate the center. While the budget chart shows all funds going to equipment purchases, it should be noted that the contractual cost is to pay Virginia Tech for technical assistance in product development, employee training, marketing and other start-up operational costs. The

application indicates a 10,000 sq. ft building with 4,000 sq. ft built out for the processing center, as well as 6,000 unfinished sq. ft. for expansion of this and/or other food-related businesses. Supplemental info provided by the Town now indicates a 6,600 sq. ft. building at a cost of \$632k. An accompanying request submitted by Farmville to the Commission's Southside Economic Development program for \$194,000 will be heard in that Committee on December 17th (immediately prior to the Agribusiness Committee meeting) to partially fund the cost to construct the proposed building. Farmville indicates it will also apply to the VDACS AFID program for funds to construct the building, and request \$100,000 from the VDOT Access road program for a service road to the site. The ownership of the building and equipment will initially be titled to the Town of Farmville, which is proposing to lease the space at no cost to VAN/HFC, with an option to purchase the building and equipment in five years. VAN is the beneficiary of two previous TIGR grants totaling \$285,000 to establish its operations, expand its producer base, and market products, which it has done successfully at farmers markets and to institutional buyers across Virginia. Fifteen of VAN's 20 current members are farms within the tobacco region. A barrier to further expansion is the lack of flash-freezing capacity requested here, and easy access to a USDA-approved processing center that allows sales to customers outside Virginia (currently VAN trucks its product to Hampton for processing). The proposal lists outcomes of 20 new jobs in the commercial kitchen and processing, and \$150,000 of new producer income. The operators have provided a pro forma that has been vetted by VA Tech and initially shows modest net income over the first three years of operation, along with estimated tax payments of \$100,000 to local/state/federal governments from sales generated at the facility. Given the project's recent efforts to relocate to Farmville in late-summer 2014, several issues regarding the construction of the building (the site is a former lagoon) and funding appear to still be in development. Given that the beneficiary is a private for-profit, Staff is suggesting a greater matching fund commitment, and has suggested the USDA Rural Business Enterprise Grant program as one potential source of matching funds, as well as VDACS-AFID. **Staff recommends: 1) that grant #2799 to Charlotte County for this project be rescinded as it is no longer an active project in Charlotte County; and 2) that request #2973 for this project be approved for 50% of equipment/supplies/contractual costs, not to exceed \$200,000, contingent on matching funds for equipment and funds needed to construct the facility be committed by September 1, 2015.**

Lee County Livestock Association

Livestock Genetic Improvement Initiative for Lee County (#2958)

\$200,000 requested

Executive summary provided by applicant: The Lee County Livestock Association would like to offer cost-share for genetic improvements of livestock herds. Producers who operate livestock operations in Lee County, VA, attend educational classes provided by the Lee County Extension Office, and additional operation requirements will be eligible for funding based on first come first serve. Offering the cost-share program will give Lee County's producers the ability to improve the quality of the genetics of herds allowing them to receive increased premiums for better quality livestock, build a stepping stone for value added opportunities, and prepare them for the bad times in the livestock industry. Lee County has been hard hit with layoffs in the coal industry leaving many to reconsider the opportunities of the family farm. With cattle prices at historic highs, many are finally seeing the family farm as an opportunity as the main income source transitioning to full-time farming. In recent years, small ruminants have increased in popularity in the region as well due to the market and advantages for small acreages. To bring Lee County's livestock producers to the forefront of the industry, farmers need to make investments to increase efficiency and production with genetics being one step in the process. Advancing the livestock industry in Lee County requires on farm investments with genetic improvement being one of the most cost effective. Offering genetic cost-share

opportunity to farmers in Lee County would allow for investments on farms to spread further and increase opportunities. Assisting farms with genetic improvement with educational requirements open the door to allow additional improvements as producers seek to enhance their bottom-line with the upturn of livestock markets. Purchase of better genetics will mean increased conformity, weaning weights, and quality of livestock creating the opportunity for value added marketing and overall increase price for Lee County's livestock. Lee County is in economic transition with the coal industry in decline. Agriculture is greatest asset the county possesses and is the backbone of the county with \$14 million in livestock sales, according to the USDA 2012 Ag Census. Building up the agriculture industry is the future of Lee County with little to no other industry existing. Increasing the profitability of family farm in Lee County is critical to the community. With lowest U.S. herd numbers in more than 50 years and increase world population, agriculture is an industry that will continue to grow and offer opportunities.

Staff comments and recommendation: Funds are requested for a cost share program to provide reimbursement of expenses related to genetic improvement of livestock herds in Lee County. The cost share will be 50% reimbursement to producers up to \$5,000 for heifers that meet Virginia Premium Assured Bred Heifers standards, bulls who meet VQA requirements, and artificial insemination equipment, \$3,000 for registered small ruminants, and \$5,000 for mixed operations. The proposal anticipates serving 40 Lee County farms. Several previous regional cost share programs have been available to farmers in Lee County to assist with genetic and facility improvements. Currently, the Beef Builder Initiative project provided to the Abingdon Feeder Cattle Association in FY14 is available for this purpose. No evidence was provided in the application to show that the previous and current regional projects have not been sufficient to serve producers in Lee County. The application's inclusion of small ruminants and mixed operations would be a new area of focus but should be planned as part of a much larger regional effort through the regional plan discussed in the next proposal. **Staff recommends no award.**

Lenowisco Planning District Commission

LENOWISCO Agricultural Development Strategic Plan (#2959)

\$10,000 requested

Executive summary provided by applicant: The localities of the LENOWISCO Planning District - Lee, Scott and Wise Counties and the City of Norton - wish to develop a strategic plan to fully analyze and incorporate agricultural development into the region's overall economic development efforts. There are a wide range of agricultural and forestry interests in the LENOWISCO district. Recent significant gains had been made in taking advantage of the region's assets, from heritage and cultural tourism to outdoor recreation. Initiatives such as the Crooked Road, 'Round the Mountain, the Spearhead Trail System, and Appalachian Spring are evidence of these efforts. The PDC looks to initiate the process to determine the possibility of a regional collaborative effort to support the district's agricultural and forestry assets. The Applicant proposes to develop a strategic plan to analyze and incorporate agricultural development into the district's overall economic development efforts, which in recent years have increasingly included asset-based development in addition to long-time, conventional efforts. Local discussions among various stakeholders regarding agriculture- and forestry-based development, specific to this project, have identified present activities, challenges and inefficiencies in both produce and livestock; growth opportunities; structural opportunities; obstacles; challenges in youth participation, with education opportunities; and the opportunity and need for agriculture to be fully viewed as an "industry," taking its place in regional economic development. Completion of this planning project will play a role in the ongoing support of these various interests and of the larger region.

Staff comments and recommendation: This request builds on recent regional planning efforts by the PDC to develop a strategy to promote agricultural development in the district (two community meetings in the past year have shown good participation and producer interest). This request is well matched with a cash commitment totaling \$10,000 from the Counties of Lee, Scott, Wise, and the City of Norton. The local match, along with the requested TICRC funds, will serve as the required match for a \$20,000 VDACS – AFID planning grant application. The specific scope of the proposed strategic plan is not discussed, and TICR staff would note that a successful effort will require support from the AFID program, a well-defined scope of work, development of the plan by a qualified agribusiness consulting firm and strong involvement from producer stakeholders in the entire process. **Staff recommends award of \$10,000 contingent upon approval of the intended AFID application.**

New River-Highlands Resource Conservation and Development Project
Southwest Virginia Mobile Livestock Processing (#2960)
\$255,000 requested

Executive summary provided by applicant: We propose to establish a mobile livestock processing trailer for use by local producers. Our area is has a need for small-scale livestock processing. Southwest Virginia is experiencing an increase of farms producing animals for specialty markets including those championing eating local. Many of these farmers do not have an adequate background in animal slaughtering as they are new to farming or prefer the work be done by others. Regulatory mechanisms also drive livestock owners to established facilities. Currently, stationary processing facilities are cost-prohibitive for a small producer to utilize because the expense of transport, slaughtering and packaging are geared toward volume. Secure a truck, trailer and staff to implement a mobile slaughtering facility. Decreased cost of processing animals improves the profit margin of farms. Quality of the product is increased because owners themselves ensure proper care of animals before, during and after the slaughtering process.

Staff comments and recommendation: The applicant, a 501C4 nonprofit based in Wytheville, requests TICRC funding to assist with equipment (\$135k), staffing (\$105k), and operational (fuel) needs for three years to establish a mobile meat processing facility that is expected to serve 20 area producers. In 2010 the Commission provided funding to another SWVA nonprofit (Grayson Landcare Inc.) to perform studies related to the feasibility of establishing a mobile processing facility in the New River or Mount Rogers area of the Tobacco Region. The current application does not mention that study or indicate that any discussions have taken place to utilize its findings. Instead, information was provided about to a project located in Vermont that has been focused on poultry processing. In that example, the facility was fully grant-funded, and the original operator chose not to renew his contract, which raises concerns regarding the financial sustainability of that example. The application lists matching funds of \$40,000, however, no information was provided for the source(s) or use of these funds. The application lacks an operating plan and detailed equipment cost estimates. The need for USDA approval and on-site regulation was not addressed, and future sustainability is not discussed. Although it does appear that some interest in a mobile processing unit exists, this application does not thoroughly address the operating feasibility of establishing one in the region. **Staff recommends no award.**

Region 2000 Research Institute
Farm Based Bio-Ethanol Micro Plant (#2961)
\$632,900 requested

Executive summary provided by applicant: The Center for Advanced Engineering and Research (CAER) is sponsoring an open source collaborative engineering consortium to design, test, and implement a farm based bio-ethanol micro plant system. The consortium will include Trinity Energy, who will develop and operate a farm based pilot plant, universities to provide research capacity and local farmers as producers of bio crops. These micro plants would allow local farms to produce and sell ethanol. This program will provide farms with the opportunity to develop new crops, additional sources of revenue and new jobs for local owner/operators in the region. Ethanol is a renewable, domestically produced alcohol fuel made from plant material. Using ethanol reduces dependence on oil and greenhouse gas emissions. The primary use of ethanol is for gasoline but it is seeing increased use, for example as heating oil. The challenge is to produce ethanol at competitive prices. Iowa State University economist projects that consumer demand will increase if E85 is priced at or below the point at which E85 equals E10 economically. If E10 is priced at \$3.30 per gallon, E85 should be a max of \$2.55 per gallon. Our projected price is \$2.25 per gallon. Our proposed solution is to develop and pilot a simple modular field processing trailer system and scalable distillation system that can be located at the source of the feedstock. A demonstration pilot program can be implemented in two concurrent phases. Phase I is the development and deployment of a processing trailer system that extracts the juice from the bio crop so it can be reduced into syrup for storage. Phase II would include the development and deployment of scalable distillation systems, allowing for the local production of ethanol from the feedstock syrup produced using the system described in phase I. The outcomes of this project include the broad categories of job creation, increased farm revenue and expansion of crop alternatives for farmers. Job creation would result as the processing systems are developed and rolled out. Job creation would come from technical support for the micro plant operation and from the manufacturing of the processing and distillation systems. Other outcomes include the opportunity for farmers to expand the variety of crops they grow and to increase their farm based revenue. We project this system will provide an increase in farm revenue of \$1,000 per acre.

Staff comments and recommendation: The applicant, Region 2000 Research Institute, operates CAER in Bedford, and is partnering with Virginia-based Trinity Energy on this project. Funds are requested for two phases of a biofuels project: \$323,910 for Phase 1 development of a feedstock processing system trial, and planning and harvesting of up to 100 acres of feedstock; and \$348,000 for Phase 2 development, piloting, and operation of an ethanol distillation system. The applicant identifies that the design concept is also based on work by Virginia Tech, and expanded on by Louisiana State University Agricultural Center, which all identify the need for a field processing system (a small scale processing trailer has been developed and deployed in Memphis, TN by Biodimensions, Inc., and a goal of this project is to contract engineering services to develop the detailed design for demonstration of a full scale commercial processing trailer). The distillation model for this project is based on an existing 1.5 MM gpy plant in Leoti, Kansas, with the goal of the project to improve the cost model and operating efficiency for this design. The project proposes to work with producers in a four county area (Campbell, Pittsylvania, Bedford, and Appomattox Counties) to grow sweet sorghum, beans, sunflowers and yams as feedstocks, based on their high level of carbohydrates and suitability to growing in Virginia. Outcomes include an estimated \$1,000 per acre increase in farmer income based on 500 gallon per acre yield, costs to plant at \$150 per acre, income from the sale of fuel at \$1.80 per gallon (\$900 per acre), plus an additional \$100 per acre from the sale of other byproducts as fuel pellets or cattle food. The proposal estimates a \$300,000 construction cost and 4-12 jobs for operating a single biofuel production plant, with potentially multiple plants across the tobacco region. The proposal makes a reference to an “open source” engineering collaboration to develop this technology, which could allow this to be available at no cost to interested users (which could mean anywhere in the U.S. and beyond),

but appears to be primarily focused on franchising the model through Trinity Energy. However, the proposal does not provide evidence of farmer/producer interest, and supplemental info provided at Staff's request indicates the business plan is in a very preliminary form that would be refined based on this project. Until a better-developed business plan is available it is impossible to assess (among other management issues) how ethanol would be distributed to wholesalers or other end users, and how economically viable the operation of a distillation plant would be, given the fixed and operating costs described above. More than \$330,000 of equipment is requested, including trailers, tanks and distillation equipment, so any award of grant funds for equipment should address the ultimate disposition in the event of sale, lease etc. Without knowing the basic economic viability of the model, and the implications of creating a franchisable model for a private company (Trinity), a funding award of this magnitude for long-lived equipment assets and other contractual project expenses seems premature at this point. **Staff recommends no award.**

Southwest Livestock Cooperative, Inc.

Southwest Livestock Center (#2962)

\$467,140 requested

Executive summary provided by applicant: "The mission of Southwest Virginia Livestock Center [SVLC] is to provide services to agriculture, with an emphasis on animal agriculture, on a cooperative basis that ultimately improves our members' net income." Southwest Virginia Livestock Center's vision is to be a member-driven livestock cooperative with a rich heritage rooted in helping to create a better quality of life for our members, their families and their communities. By staying focused on our mission, the Livestock Center will meet the needs of farmers. Our expressed vision is to be the region's premier provider of livestock marketing and related services. The Agricultural activity in this region formerly dedicated to the cultivation of tobacco has largely been replaced by growth in the breeding, raising and marketing of livestock, while marketing outlets have been reduced markedly. SVLC seeks to add new and much-improved marketing opportunities to the region's producers. SVLC seeks to add new and much-improved marketing opportunities to the region's producers by providing a modern, technology oriented venue for addressing current and emerging market opportunities. The operation of the SVLC will have significant economic impact in the region through increased market access, economies realized by producers because of decreased transportation costs, shorter wait times, and increased competition for their product.

Staff comments and recommendation: This project was first submitted in FY12 with the Virginia Cattlemen's Association serving as the applicant. A Committee recommendation of \$700,000 was tabled by the Commission three years ago while the Southwest Livestock Cooperative, who will own and operate the facility, pursued non-profit status. In January 2014, having achieved IRS designation, SLC was approved for \$232,860 of Agribusiness funds for the project. Those funds were insufficient to begin construction, and the project start remains on hold pending this request. The current application requests the remainder (\$467,140) of the original recommendation. Funds are specifically requested for site prep/grading (\$200,000), purchase of a 30,000 square foot metal building (\$360,000), livestock pens (\$115,000) and gravel for parking and roads (\$25,000). Matching funds of \$800,000 are indicated as "in-hand" for planning costs, land purchase, interior buildout and equipment. These matching funds have reportedly been obtained from stockholders who will be issued Preferred and Common Stock subscriptions. The site is centrally-located and accessible to a large portion of SWVA at the intersection of Routes 58 and 19 in Hansonville. This facility is somewhat of a parallel to similar TICR-funded facilities built in Pittsylvania, Halifax, Dickenson and Buckingham. Annual transportation savings to producers who would no longer be required to take livestock to Abingdon markets is estimated at \$133,000, in addition to annual employment income of another \$133,000. It should be noted these benefits will accrue annually over the 40 year useful life of the

building. When this project was initially submitted in 2011, significant concerns were voiced by private competitors regarding the use of public funds to subsidize the facility. However, since that time the Cooperative has been designated by the IRS as a Section 521 Exempt Farmers' Cooperative, with several related conditions that must be maintained to preserve that designation. The applicant states that any profits achieved by the facility will be reinvested into the operation, maintenance, and expansion of the facility and the remainder distributed to preferred and common stockholders in the form of dividends. At Staff's request, the Commission's legal counsel has verified that this is an eligible applicant. This request was the second highest scoring proposal in the staff review process, due to its potential regional reach across multiple counties and agricultural sectors. **Staff recommends award of \$467,140 contingent on construction being underway by September 1, 2015, and that the Commission be notified immediately if at any time the Cooperative is determined by the IRS to no longer be an Exempt 521 Cooperative.**

Virginia Eco Industries, LLC
Brunswick County Greenhouse, Phase II (#2963)
\$523,450 requested

Executive summary provided by applicant: Funds are being requested for complete a phase II feasibility study for a large scale greenhouse project in Brunswick County. An industrial partner has agreed to examine the possibility of using waste heat and waste carbon emissions to heat a large scale greenhouse and provide Carbon dioxide for growing plants, vegetables, algae and aquaculture products. To this end it is necessary to determine the equipment and materials needed in the further development of this innovative project, especially in the areas of heat transfer and the growth of under-studied products such as algae. Unemployment is a tremendous problem in Brunswick County as well as much of Southside Virginia. A large scale greenhouse operation would provide several hundred jobs of varying types (skilled, unskilled, technical, management etc.). An industrial partner has agreed to examine the possibility of providing waste heat and carbon emission to VEI at no cost. This would allow for the development of the large scale greenhouse project. The construction and operation of such a large scale project would provide several hundred jobs in the region where year round work can be scarce. This phase II study for the Brunswick County Greenhouse would move VEI significantly closer to being able to finalize a business plan and firm up plans for investors and financing for the project. Our firm would be able to learn more about aquaculture, algae production and the best firms to solicit for participation in the project. We have partnered with Dr. Ike Levine of AAP in Poland, Maine to study algae production. We are partnered with the cooperative extension at Virginia State to study the marketability of greenhouse products. Construction and operation would provide several hundred jobs in Brunswick County. Brunswick County has the highest level of unemployment in Southern Virginia and one of the highest unemployment rates in the state. Additionally, this project would provide for internship opportunities for high school and college students through out the Southern Virginia Region in the area of Agriculture, Business and Engineering. Jobs provided by the project would fall into all skill ranges (unskilled, skilled, technical, professional and management). The success of this project would provide a tremendous tax base increase in Brunswick and surrounding counties.

Staff comments and recommendation: This application was submitted by a for-profit LLC, and absent the proposal being sponsored by a government entity or a nonprofit organization is ineligible for funding consideration by the Commission. The company has had recent dialogue with potential eligible applicants, but to date none has agreed in writing to serve as the applicant sponsor. Consequently **Staff recommends no further action.**

Virginia State University

Enhancing Income of Meat Goat Producers in the Tobacco Region by Development of an Omega-Chevon Industry (#2964)

\$247,573 requested

Executive summary provided by applicant: This project will enhance income of farmers in the Tobacco Commission region of Virginia through development of Omega enhanced goat meat (Omega Chevon), and create a new goat feed market for flax and canola growers. We conducted a 90 day study, where goats were fed canola and Flaxseed supplements. Omega-3 concentration in Chevon significantly increased in goats fed canola and Flaxseed versus those that were not. Meat goat producers from 10 counties will grow one acre each of canola and flax and feed to meat goats. We will study meat quality, health and the economics of Omega-Chevon production in Virginia. Virginia meat goat farmers contribute 3% of total US markets for Goat meat (Chevon). World-wide demand exceeds supply and most Chevon in the US is imported. Chevon is lower in fat than beef or lamb and is enhanced by omega rich feed sources creating a highly marketable Omega Chevon. Omega Chevon may increase market demand, producer profits, and production for Virginia via new goat producers while creating a healthy alternative to traditional red meat.

1. Production of enhanced goat meat (Omega Chevon) after feeding on farm grown canola and flax to meat goats

2. Evaluate economics of Omega-Chevon production in Virginia

Chevon has less fat and is the most consumed red meat worldwide. Flax supplemented feed is already being marketed for goats for immune health in the mid west but not for enhanced Omega Chevon production. Production of Omega Chevon by meat goat farmers in the Tobacco Commission region can create a local industry in the short term and eventually an export product in the long term. Success of this project will produce an alternative healthy red meat choice that is high in polyunsaturated fatty acids and ultimately enhance the income of meat goat farmers in Virginia.

Staff comments and recommendation: The Commission has awarded \$1.25 million of Agribusiness funds to VSU, with approximately one-third of that amount still remaining in three grants awarded in the 2011-13 grants cycles. Funds are requested to support further research costs for incorporating flax and canola seed into diets of goats for a higher value, high in omega-3 fatty acid goat meat product (preliminary federally-funded research at VSU on introducing flax/canola into goat diets has demonstrated the expected result of increasing the omega content in meat). Funds are requested for personnel (\$74k for one technician for three years); \$47k transfer payments to 10-15 tobacco region goat producers; \$55k supplies; \$30k for meat processing; \$20k for producer workshops and \$15k for lab analysis. All matching funds presented in the application are "in-kind" and appear to be based on the purchase price of existing equipment owned by VSU. The presentation of the budget using general budget categories makes it difficult to understand exactly how TICR funds would be used; however, based on the narrative it appears that funds are requested to support costs that producers would be incurring normally for management of their herd (i.e. supplies and materials for goat care and kidding costs; veterinary and meal processing costs), essentially "buying" the producers agreement to participate in the program. This is the second time the Commission has seen this request and at the time of the previous application submission, staff had suggested that producers be surveyed to gauge their interest in participation in the program. The application provides only one support letter as evidence of producer interest in the program, and does not attempt to quantify the meat goat opportunity within the tobacco region. While the application includes a cost analysis suggesting \$478-\$487K net new income for a 75 goat herd, varying based on purchased versus grown feed (the income calculation did not include any costs for farm labor, veterinary care or processing); these figures combined with the outcomes of 20 new jobs created based on two new jobs at each of ten participating farms appears to be exaggerated and unrealistic as the basis for consideration of a funding commitment. The proposal

does not present a clear pathway from the research activities to increasing sales revenue, and relies largely on creating national consumer awareness and adoption of the market branding for omega-enhanced goat meat. Ultimately, VSU's findings could be used across Virginia and beyond, which raises the question of why Commission funds should be used to develop research that potentially has broad application outside the tobacco region. **Staff recommends no award.**

OTHER BUSINESS

Scott Farmers Cooperative

Livestock Feed Facility (#1907)

\$250,000 approved in January 2010 – request for sixth year extension

An extension for a sixth year has been requested for this grant which was approved for \$250,000 in January 2010. Funds were approved for the nonprofit producer cooperative to procure and install a comprehensive feed commodity handling, blending, storage, bagging and delivery equipment system for the purpose of supplying area livestock producers feed demands in a more economically effective manner. In February 2010 an advance of \$70,765.00 was paid based on documentation provided by the grantee from the contractor showing a 25% down payment was required to begin work. The grantee's representatives cite a number of management problems for failure to get the project underway, including the death of the former facility manager and financial difficulties. The advance, which appears to have been used for operating expenses rather than the purpose presented in the advance request, remains undocumented. A second grant (#2615 for \$148,836) was approved for the project in January 2012 with the condition that the outstanding advance provided for #1907 be fully documented or repaid prior to the release of any funds. There has been no activity on this grant since its approval. Last year the Committee approved a fifth year for this award to allow the grantee's new management to seek approval of additional financing needed for operating capital, however no progress has been achieved since that time. At this time the USDA loan has not been approved and a decision is now expected in February 2015. TICRC funds will be used as collateral for this loan, which is contrary to the standard TICR grant agreement. The grantee stated that whatever documentation they are able to gather for the advance will be provided, but admits they are unable to account for the use of the full amount. The last facility cost estimate was \$398,217, which would indicate the approved TICR funds might pay for 100% of the cost. To comply with grant matching fund requirements, **Staff recommends a one-year extension to reimburse no more than 90% of construction costs, contingent on construction financing being secured and the facility under construction no later than September 1, 2015.**

Virginia FAIRS

Southside Aquaculture Business Expansion and Market Development (#2260)

\$85,000 approved in January 2011 – request for fifth year extension?

Funds were approved for the nonprofit cooperative foundation affiliated with VA Farm Bureau to continue support of the VA Aquafarmers Network (VAN), a for-profit LLC with members producing farm-raised channel catfish, freshwater shrimp, hybrid striped bass and rainbow trout primarily in Southside counties. The award of \$85,000 was for new equipment and producer cost-share incentives, with ownership title for transportation/handling equipment to be retained by VAFAIRS. Product is sold on-site at farms, at farmers

markets, over the internet and directly to restaurants. **Staff recommends extension, with final project expenses to occur no later than September 1, 2015.**

Virginia State University

Sustainable and Profitable Development of Berry Industry in Southside VA (#2261) **\$300,000 approved in January 2011 – 5th year extension requested**

Funds were approved in January 2011 to establish ten one-acre demonstration sites on private farms in tobacco counties for planting blueberries, raspberries, strawberries and blackberries to educate growers on berry production, harvesting and packaging. Fruit from the demonstration sites has been co-marketed with fruit grown at the Cole Berry Farm in Halifax County to begin developing a “Southside Berry” brand. A balance of \$98,296 remains in the grant, which was active during the 2014 growing season. **Staff recommends extension through the 2015 growing season, with final project expenses to occur no later than September 1, 2015.**